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SEMINAR ON SMALL-SCALE INDUSTRY
IN LATIN AMERICA

Sponsored jointly by the Economic Commission for Latin America, the United Nations Centre for Industrial Development and the Bureau of Technical Assistance Operations

Quito, Ecuador, 28 November to 5 December 1966

PROVISIONAL ANNOTATED AGENDA AND PROVISIONAL LIST OF DOCUMENTS

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FOREWORD

The last few years have seen the awakening of a growing interest among the Latin American countries in the problems confronting small-scale industry, as also in the important part which can be played by this type of industry in the industrial development of the region. In response to this general concern, the United Nations, through the Economic Commission for Latin America, the Centre for Industrial Development and the Bureau of Technical Assistance Operations, has organized a seminar on small-scale industry in Latin America, to take place at Quito from 28 November to 5 December 1966.

The aim of this seminar will be to examine the present state of small-scale industry and the problems which arise from its size, and to discuss the future prospects of the industrialization process in the Latin American countries. It will consider in its discussions the measures and decisions which each of the countries under examination should include in its industrial policy in connexion with the fostering and development of small-scale industries, and also the way in which international co-operation may best contribute to a full realization of these ends. The subject will be analysed in its general aspects and in relation to particular branches of industry. The conclusions resulting from the interchange of experience on the subject will be embodied in a final report which the seminar will transmit to the governments concerned through the United Nations.

The annotated agenda given in point B of this document is designed to provide a brief idea of the chief problems to be discussed in the seminar and to be of use in ordering the course and substance of the discussions. It gives short accounts of the main problems affecting small-scale industry and of its prospects for development. In short no attempt will be made during the seminar proceedings to deal exhaustively with the problems relating to every one of the points contained in the agenda, but rather to single out for attention the aspects which seem to be most significant in the present stage of development of small-scale industry in Latin America.

/Small-scale

Small-scale industry constituted one of the foremost subjects of discussion in the Latin American Symposium on Industrial Development held at Santiago, Chile, in March of this year, whose participants were agreed in attributing to it a dynamic part in the process of industrial development in the developed countries with the comment that in those countries it has evolved in such a way as to become well-integrated into a sound industrial system and to form an important part of it.1/

The annotated agenda is followed by a list of documents for consideration by the seminar. This includes a considerable number of monographs on the small-scale industry in different Latin American countries, which contain information that is, of great interest in itself and provide a basis for comparing the experiences of these countries. The willingness of the governments concerned to prepare such monographs is evidence of the interest which the seminar has aroused in Latin America. Papers are also being submitted by the United Nations Centre for Industrial Development, the Economic Commission for Latin America, and by various experts specializing in this subject.

1/ Report of the Latin American Symposium on Industrial Development (E/CN.12/755), Chap. III.

A. PROVISIONAL AGENDA AND PRELIMINARY TIMETABLE OF MEETINGS

1. Provisional agenda

1. The contribution of small-scale industry to the development of Latin America
   - (a) Characteristics of the development of small-scale industry in Latin America
   - (b) Small-scale industry in the over-all strategy of economic development
   - (c) Development possibilities for small-scale industry in specific sectors
   - (d) Over-all promotion programmes for small-scale industry: institutions, priorities in respect of sectors and means of action
2. Technical services and assistance for the development of small-scale industry
   - (a) Technical services for rationalization at the plant level: organization, administration and methods
   - (b) Special training programmes for personnel at all levels and other services in aid of small-scale industry
   - (c) Industrial estates: organization, administration and financing
   - (d) Forms of co-operation and self-help
3. Financing for the development of small-scale industry
   - (a) Alternative policies and their corresponding financing systems
   - (b) Internal and external sources of funds
4. Regional and international co-operation in the field of small-scale industry
   - (a) Possible forms of international co-operation
   - (b) Objectives and machinery of regional co-ordination.

/2. Preliminary

2. Preliminary timetable of meetings

Monday, 28 November

9 - 11 a.m.: Registration of participants

11 a.m. - 12.30 p.m.: Inaugural plenary meeting: inaugural speeches

3.30 - 4.30 p.m.: Plenary working meeting

(1) Nomination of officers for the seminar

(2) Approval of the agenda

(3) Approval of methods of work

(4) Approval of the timetable of meetings

4.45 - 6.30 p.m.: Plenary meeting

The contribution of small-scale industry to the development of Latin America (Item 1)

Characteristics of the development of small-scale industry in Latin America

Tuesday, 29 November

9 - 10.30 a.m.: Plenary meeting

Small-scale industry in the over-all strategy of industrial development

10.45 a.m. - 12.30 p.m.: Plenary meeting

Development possibilities for small-scale industry in specific sectors of industry

3.30 - 5 p.m.: Plenary meeting

Over-all promotion programmes for small-scale industry: institutions, priorities in respect of sectors and means of action

5.15 - 6.30 p.m.: Plenary meeting

Conclusion of item 1.

Wednesday, 30 November

9 - 10.30 a.m.: WORKING GROUP A

Technical services and assistance for the development of small-scale industry (Item 2)

Technical services for rationalization at the plant level: organization, administration and methods

Special training programmes for personnel at all levels and other services in aid of small-scale industry

Industrial estates: organization, administration and financing

Forms of co-operation and self-help

/WORKING GROUP B

WORKING GROUP B

Financing for the development of small-scale industry (Item 3)

Alternative policies and their corresponding financing systems

Internal and external sources of funds

10.45 a.m. - 12.30 p.m.: WORKING GROUP A

Item 2 continued

WORKING GROUP B

Item 3 continued

3.30 - 5 p.m.: WORKING GROUP A

Item 2 continued

WORKING GROUP B

Item 3 continued

Thursday, 1 December

9 - 10.30 a.m.: WORKING GROUP A

Item 2 continued

WORKING GROUP B

Item 3 continued

10.45 a.m. - 12.30 p.m.: WORKING GROUP A

Item 2 continued

WORKING GROUP B

Item 3 continued

3.30 - 5 p.m.: WORKING GROUP A

Item 2 continued

WORKING GROUP B

Item 3 continued

5.15 - 6.30 p.m.: WORKING GROUP A

Item 2 continued

WORKING GROUP B

Item 3 continued

Friday, 2 December

9 - 10.30 a.m.: Plenary meeting: regional and international co-operation in the field of small-scale industry (Item 4)

Possible forms of international co-operation

Regional co-ordination: objectives, and machinery

/10.45 a.m.

10.45 a.m. - 12.30 p.m.:	Plenary discussion meeting: item 4 continued
3.30 - 5 p.m.:	Plenary meeting: item 4 continued
5.15 - 6.30 p.m.:	Plenary meeting: item 4 continued

Saturday, 3 December

9 - 10.30 a.m.:	Plenary meeting: discussion of the report on technical services and assistance for the development of small-scale industry presented by Working Group A
	Discussion of the report on financing for the development of small-scale industry presented by Working Group B

Monday, 5 December

9 - 10.30 a.m.:	Plenary meeting: Consideration of the provisional report of the seminar
10.45 a.m. - 12.30 p.m.:	Plenary meeting: Consideration of the provisional report of the seminar
5 p.m.:	Closing meeting

/B. PROVISIONAL

B. PROVISIONAL ANNOTATED AGENDA

1. The contribution of small-scale industry to the development of Latin America

(a) Characteristics of the development of small-scale industry in Latin America

The evolution of small-scale industry in Latin America has taken place within an economic and social framework that is vastly different from that of the developed countries. This difference is constituted by such factors as shortage of capital, slow economic growth, unstable political and social conditions, the existence of huge numbers of people living practically outside the monetary economy, and of an artisan industry that is almost exclusively engaged in producing simple goods by rudimentary methods.

In spite of such adverse conditions, small-scale industry [2/] has come to play an important part in the economies of Latin America. Thus, it appears from the industrial censuses of the region that in 1960 over 1.5 million persons were employed in small-scale industry in Latin America, which was then 31 per cent of factory employment and 16 per cent of total industrial employment. Its estimated aggregate value for that year was 3,300 million dollars, that is, 21 per cent of the manufacturing product and 16 per cent of the product of the industrial sector as a whole.[3/]

In the present stage of the industrial development of the Latin American countries most small-scale enterprises belong to what are known as the traditional industries, where they operate in direct competition with large-scale industry. In the remaining cases, enterprises of this kind are engaged in work which is either of a very specialized nature or is on such a small scale as to be of no interest to medium or large-scale enterprises.

2/ Small-scale industry is understood to mean manufacturing units of between 5 and 49 employees.

3/ For further information see ECLA, Small-scale industry in Latin America (ST/ECLA/Conf.25/L.17).

/Situations of

Situations of this sort are sometimes due to the existence of special market conditions and to efficient use on the part of small-scale industry of modern equipment and production techniques. In Latin America, however, where small-scale industry has a low average level of manpower productivity - considerably lower than that of manufacturing industry in general - this latter state of affairs seems to be exceptional. One of the main causes of poor level of productivity in this sector of industry is the small degree of mechanization of its production units, whose average installed capacity relative to size is approximately half that of the large-scale units.4/

Moreover, what equipment there is is generally out of date and has to be used and maintained in inadequate conditions. An additional cause often lies in factors relating to the organization of production.

(b) Small-scale industry in the over-all strategy of economic development

In spite of the dynamic role which small-scale industry can play in industrialization and in general economic development, no special strategy has been devised for this sector in Latin America, the concern of the governments being expressed instead in piecemeal measures deriving from a traditional and partial appreciation of the problem. These measures have also been designed to protect small-scale industry rather than to encourage it to modernize itself and thus put itself in a better position to compete with large scale units.

In this connexion it would be interesting to examine, in the discussions of the seminar, the following points: the definition of small-scale industry; ways in which artisan and cottage industry can be helped to transform themselves into modern small-scale industry; the part to be played by small-scale industry in the general development of industry; the obstacles to be removed before small-scale industry can develop in a more adequate fashion; selective growth in branches of industry where small size may be an advantage; and complementarity between different types and sizes of industries.

4/ Ibid.

/The documents:

The documents: La pequeña industria en América Latina,[5] Definition of small-scale industry,[6] The role of small-scale industry in over-all industrial development strategy,[7] and the national studies are a contribution to discussion of this subject.

(c) Development possibilities for small-scale industry in specific sectors

For a proper analysis of the development prospects of small-scale industry it is important to determine which sectors provide the greatest possibilities of growth in the conditions peculiar to each country. That certain branches of industry provide specially favourable conditions for small-scale production has been confirmed even in the most highly industrialized countries. In some cases this has been due to more skilled adaptation of such production to market conditions, to factors of location, to more economical use of transport, or to specialization.

During the discussions an attempt will be made to find out which factors and conditions in Latin America are conducive to the development of small-scale industry and in which branches or sectors of industry they are most effective.

This subject is developed in the document: Development possibilities for small-scale industry in specific fields of industrial activity.[8]

(d) Over-all promotion programmes for small-scale industry: institutions, priorities in respect of sectors and means of action

In most countries small-scale industry is able to exist side by side with medium- or large-scale industries, which suggests that the scale on which it operates is not entirely to the disadvantage. On the other hand, the unfavourable conditions that hamper all forms of industrial production, weigh most heavily on small industry which possesses only the slightest of defences against them. Among the major obstacles to its development are its shortage of capital for purchasing modern machinery and equipment, difficulties in obtaining raw materials, inadequate marketing of its

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5/ ST/ECLA/Conf.25/L.17.

6/ ST/ECLA/Conf.25/L.2.

7/ ST/ECLA/Conf.25/L.10.

8/ ST/ECLA/Conf.25/L.18, presented by Mr. A. Nielson, a United Nations expert.

/products, lack

products, lack of proper training among entrepreneurs, use of unsatisfactory techniques, and under-utilization of installed capacity. In addition to this, most small-scale enterprises deprive themselves of the possibility of planning and controlling their production by failing to maintain accounts of its costs. They also show little capacity for making the changes in their processes of production required for partial alterations in the form or composition of their products. The ignorance of most small-scale industrialists of the possibilities open to them and the want of the necessary guide-lines for carrying out the changes required by the advance of industry often makes them cling to traditional modes of production.

Up till now there seems to have been no definite concern to discover adequate solutions to the problems raised by these obstacles. Hardly any part of the great complex of measures, laws, organizations and agencies determining the industrial policies of the Latin American countries is specially concerned with the assistance and direction of the development of small-scale industry. Government action has generally been partial in conception and effect; it has been embodied in programmes of restricted scope, and has only in a very few cases been placed in the hands of organizations with sufficient powers to act on a national scale on behalf of the small-scale sector as a whole.

Thus the industrial policies of the Latin American governments have not been adequate for the needs of small-scale industry. The special characteristics of the sector and of the environment in which it develops require special treatment, which must be based on fiscal mechanisms that would help it to be profitable while enabling it to maintain its role as a useful factor in society. This is not to say that industrial policies should in general provide unqualified support for small-scale industry, but that it should compensate for the peculiar disadvantages deriving from the size of a large section of it. In recent years the Latin American countries have made great progress in the matter of development planning. Most of them have prepared general medium- and long-term industrial development plans as part of an over-all model. Generally speaking, however, these plans have not provided for any special treatment of small-scale

/industry. It

industry. It follows from this that over-all promotion plans, establishing scales of priorities in respect of sectors and means of action, must now be formulated for small-scale industry. (See Bernhard Stein, Programas globales de fomento para la pequeña industria en América Latina. Criterios generales, instituciones, medidas y prioridades (ST/ECLA/Conf.25/L.8).

2. Technical services and assistance for the development of small-scale industry

(a) Technical services for rationalization at the plant level: organization, administration and methods

The fundamental purpose of technical assistance services for small-scale industry is to provide information on the economic environment in which it develops and on the most suitable methods of increasing the efficiency of its productive organization and management.

The small-scale industrialist is faced not only with the problems of organization, administration and production that arise in his own enterprises, but also with those produced by the peculiarities of the external economic environment to which it belongs. For this reason technical and advisory services for small-scale enterprises must apply both at the plant level (economic assistance for improvement of the economic organization of the enterprise and technical assistance for improvement of the production processes) and at that of branches of industry (technological research, standardization, management, and marketing). It is also important for information to be disseminated by means of leaflets, conferences and seminars particularly intended for small-scale enterprises in different branches of industry in the region.

So far Chile is the only Latin American country to have made full-scale provision of the technical assistance and economic advisory services needed by small-scale industrialists for overcoming the difficulties they are faced with as a result of the size of their enterprises.

/(b) Special

(b) Special training programmes for personnel at all levels and other services in aid of small-scale industry

In spite of the intensive measures now being taken by most Latin American countries in this connexion, their manpower training and apprenticeships programmes still fall short of the growing requirements of their industrial development.

Establishment of special training programmes for small-scale industry must be preceded by extended investigation of the value of developing different forms of small-scale activity in the different conditions of each country. These programmes could then function as part of a general development programme for small-scale industry.

Personnel training for small-scale industry should conform to the following general design: formation of experts for work in technical assistance organizations; formation of administrative personnel; training of intermediate personnel capable of undertaking certain administrative responsibilities; and training of workers and apprentices.

A further important measure in aid of small-scale industry is the organization of sub-contracting systems, which would enable those relations to be established between small- and large-scale industrial units. The existence of such systems in Brazil, Argentina and Mexico provides important examples of what can be achieved in this respect in Latin America. Other measures in aid of the development of small-scale industry, usually of a fiscal nature, have been applied in some countries, e.g. certain legal provisions obliging enterprises to purchase some proportion of their materials in the country, tariff protection for certain goods manufactured on a small scale, exemption of small-scale enterprises from payment of fiscal and municipal taxes on the installation of new plants and authorization for certain capital goods and raw materials for use in small-scale industry to enter the country duty-free.

(c) Industrial estates: organization, administration and financing

The establishment of industrial estates may come to be an important industrial planning tool in underdeveloped countries, by contributing effectively to industrial decentralization and development of the more backward areas.

/The establishment

The establishment of such estates in comparatively undeveloped areas may also be of considerable help in absorbing the labour displaced from agriculture and rural artisan activities.

If the formation of industrial estates is considered as an industrial policy instrument for regional development, it is then the governments themselves, through their specialist agencies, who must be primarily responsible for organizing and putting such estates into operation. The extent of this aid and the ways in which it is given will depend in each case on the conditions prevailing in the country concerned. The government agencies engaged in this kind of work should work in collaboration with associations and co-operatives of small industrialists in the country and with mixed capital companies.

Any industrial estate must possess, as one of its main features, various kinds of basic common services. There should, therefore, be a central administration for co-ordinating the different technical and commercial aspects involved in the provision of such services.

The process of organizing industrial estates has been going on in other countries since the beginning of the '50's. But for the most part very little is known in Latin America of this form of industrial development activity and few other countries in this region have made any headway in it.

(d) Forms of co-operation and self-help

The development of various forms of co-operative association in small-scale industry would enable its industrialists to enjoy certain economic advantages which remain beyond their reach when they operate in isolation. In Latin America the only action of this kind has been that of certain fiscal agencies, which have encouraged and directed the creation of what up to now have generally been consumer co-operatives.

The excellent results achieved by the many different forms of co-operative association in various European and Middle Eastern countries suggest that it would be of great benefit to broaden the sphere of co-operative action in Latin America to other forms capable of meeting the wider needs of small-scale industrialists, such as purchase and supply, credit, and marketing co-operatives.

/It might

It might also be of great benefit to organize special entrepreneurial associations for small-scale enterprises which would enable them to obtain more favourable terms from suppliers of raw materials and from the distributors and vendors of their products.

3. Financing for the development of small-scale industry

(a) Current financing

The conditions in which most small-scale industries operate in Latin America indicate that financing is one of their weakest aspects. To begin with, their internal sources of funds, that is, those generated within each enterprise, are too limited to allow for the growth of the production units.

The high relative costs that come from small scales of production and poor productivity, result in low wage levels and small profits. Hence, the percentage of profits available for re-investment is usually much lower than in units of larger size.

Owing to the lack of accounting and cost studies, the depreciation reserves of such enterprises, when they exist at all, have no relation to their actual requirements. This explains the frequent decapitalization of such enterprises which end up by consuming the whole of their capital.

Moreover, funds from external sources are not available in sufficient quantities to compensate for the weakness of the internal sources. The initial capital is generally provided by a single person or family, that is, from the personal savings of the prospective owner. Consequently small enterprises are generally run by family groups. In many cases, fear of losing control of the enterprise prevents its owner from issuing shares to obtain the capital resources he needs. This is a severe limitation on the growth of this type of enterprise. Again, precisely because of the scale on which these industries operate, there are very few investors prepared to buy shares in them. The owners of such enterprises therefore either find it impossible to gain access to organized stock markets or do not regard it as a useful course of action, a point of view that is strengthened by the additional cost involved in the use of such facilities and their ignorance of the ways in which they can be used.

/Various studies

Various studies made on the subject confirm these observations. It appears from them that share transactions are carried out on the stock exchanges by over 80 per cent of large-scale enterprises but by less than 20 per cent of small concerns.9/

Since medium- and long-term bank loans are, in many cases, reserved for large-scale enterprises associated with the commercial banks, they provide little support for small-scale enterprises. These are forced to resort to other types of credit which are usually less favourable as regards duration and interest rates (overdrafts and short-term bills). Even suppliers' credits for building up capital resources, are less accessible and more costly for these enterprises, because of their difficulty in providing adequate security or, as is required in many cases, the guarantee of a financial institution. The small sums represented by such transactions hold out little attraction, in face of the risks involved, either for suppliers or for the financial intermediaries.

In one Latin American country it has been observed that the various forms of short-term credit provide less than 20 per cent of the investment funds of large-scale enterprises as against over 40 per cent of those of small-scale undertakings.10/

These difficulties are one of the causes of the high production costs of small-scale industry, which, in their turn, make it difficult for resources to be generated internally.

The general characteristics of the financing of small-scale industry which have been given here in broad outline, must surely vary in form among the different countries of Latin America, and also among the different industrial groupings in each country. It would be important for future research on sources and uses of funds in the different sizes of industry to extend and deepen the information now available on these characteristics.

9/ Instituto de Organización y Administration (INSORA), El financiamiento de la industria en Chile, mimeographed edition, 1962.

10/ Ibidem.

(b) Special financial assistance programmes

The efforts made by official food institutions to compensate for the financial difficulties which are limiting the expansion of small-scale industries have generally been lacking in vigour and purpose.

Most of the smaller and less developed countries, in which small-scale industry is relatively of greater importance, have no special programmes of financial assistance for these industries or organizations for directing their application.

Moreover in the countries where there are such programmes, small-scale industry is not taken as the unique and specific objective but is always included in some larger grouping along with artisan or medium-scale industry.

Assistance is given in several different ways. In some cases special credit procedures have been introduced as part of the operations of existing financial machinery. In others a special organization or fund has been set up under the control of a state corporation or industrial bank.

The length of time for which the credits are granted has generally been from 3 to 8 years, but is usually not more than 5 years. The rates of interest have depended on the economic conditions prevailing in each country, but have always been lower than the rates of current commercial bank operations.

The experience of the very few years in which such assistance has been given has in most cases confirmed its usefulness, but has also made it clear that the resources available for these financial aid programmes have been much smaller than the potential requirements of the existing enterprises of the sector. Recently foreign currency resources deriving from external aid have begun to be added to the sums normally available to the official institutions conducting the programmes. During the next few years these resources will probably increase as each country defines its objectives in this matter and builds up the machinery for implementing policies aimed at the achievement of those objectives.

/It has

It has appeared in some cases that financial assistance and technical assistance should be complementary. The effects of the latter are greatly enhanced if it is accompanied by the financial resources necessary to put it into practice. Moreover financial assistance may contribute greatly to persuading industrialists that some form of technical assistance can be of value to them.

The experience gained by the different countries of Latin America in those matters should be compared and discussed in the seminar so that the necessary improvements and additions can be made in the programmes for financing small-scale industries.

4. Regional and international co-operation in the field of small-scale industry

(a) Possible forms of international co-operation

One of the conclusions of the Latin American Symposium on Industrial Development was that the attention given to industrial development in the bilateral as well as multilateral international assistance programmes bears no relation to the great importance attaching to the industrial sector in the Latin American countries.[11/] This is particularly obvious in the case of small-scale industry.

Although there are no figures or records available on international co-operation in the field of financial assistance, it is a known fact that its contribution in this field has so far been very limited.

It is in only a few of the Latin American countries that small-scale industry has access to external credit sources, through development corporations or banks acting as intermediaries. It is in the same position with regard to foreign suppliers' credits, which can only be arranged through intermediary enterprises. These usually charge higher rates of interest than the banks, and thus greatly increase the cost of the machinery and equipment bought.

11/ ECLA, Report of the Latin American Symposium on Industrial Development (E/CN.12/755), chap. IV.

/In view

In view of the great disadvantages of the situation of small-industry as regards external financing, it would be useful to analyse, during the discussions of this subject, the industrial credit policies of the Inter-American and international financial agencies.

In connexion with international co-operation and assistance in the field of small-scale industry, it is worth mentioning the programmes being carried out with the aid of the United Nations Special Fund, the International Labour Organisation (the ILO) and certain bilateral government organizations such as those of the United States acting through the Inter-American Development Agency (IDA), and those of the Netherlands, acting through the Administrative Sciences Research Institute of Delft.

The ILO has for the most part concentrated its activities on personnel training. Its present Latin American programmes are being carried out in co-operation with the United Nations Special Fund.

The ILO and the Special Fund are co-operating with the Panamenian Government in organizing an official body to be responsible for carrying out an extensive programme of assistance for the small-scale and artisan industry of that country.

In Colombia the Special Fund and the Institute of Technological Research are collaborating in a joint programme of assistance for small-scale industry, mainly for the food, metal-transforming, chemical and agricultural equipment industries.

The IDA is granting assistance to twelve Latin American countries which have set up industrial development or productivity centres or are in process of doing so. These centres provide technical assistance and training schemes for supervisory personnel directed particularly at small- and medium-scale industry.

The Administrative Sciences Research Institute of Delft has organized each year since 1955 an international postgraduate course on the problems of small-scale industry, in which Latin American experts have been able to participate on fellowship grants. In view of the benefits which may well result from this type of work, courses on

/small-scale

small-scale industry, similar to those of the Netherlands, are to be organized in the State of São Paulo (Brazil), under an agreement between the State Federation of Industries, São Paulo University and the Research Institute of Delft.

These examples make it clear that there is a wide and diverse field to be covered in connexion with technical assistance for small-scale industry and that it is necessary to increase the scale of present action in this respect.

(b) Regional co-ordination: objectives and machinery

The governments of Latin America have up till now made no systematic attempt to co-ordinate small-scale industry in the region. The Inter-American Productivity Association, however, is carrying out work of this kind in connexion with productivity through the various national productivity centres. It is beyond doubt that similar forms of co-ordination in the field of small-scale industry not only can but will have to be developed more and more as the process of economic integration advances.

One of the points to be discussed in the seminar will be the desirability of setting up a centre for the development of small-scale industry in Latin America. The idea covers not only the centre itself but the different forms and possibilities of international co-operation and regional co-ordination.

The document A Latin American Development Centre for Small-Scale Industry,[12/] presented by Arend Eisenloeffel, of the International Technical Assistance Department of the Netherlands Ministry of Foreign Affairs, provides an analysis of the requirements involved in a centre of this kind.

12/ ST/ECLA/Conf.25/L.21.

/Three of

Three of the many different aspects which may arise in discussions on the creation of this centre deserve special comment: its fundamental objectives; its geographical sphere of action; and its institutional characteristics.

Fundamental objectives. To determine the fundamental objectives to be accomplished by this centre it is necessary, first of all, to define its sphere of action. And for this it is necessary to begin by defining small-scale industry.

As regards the action of the centre, small-scale industry should be taken as constituted by the whole body of small industrial units capable of making a dynamic contribution to the growth of industry. It comprises, therefore, small-scale enterprises of an industrial type which are developing into medium-scale enterprises and also modern industrial units which, on account of their structural characteristics or high degree of specialization, derive from their small size advantages enabling them to compete satisfactorily or more than satisfactorily against similar enterprises operating on a larger scale. The definition thus excludes artisan activities and cottage industry - which is not to say that the centre whose eventual creation is being considered will be unable to concern itself with the problems of these forms of activity at a later stage.

Among the complex problems relating to the development of small-scale industry there are two basic questions of outstanding importance, i.e. research and personnel training.

In the first place, it is worth examining the over-all aspects involved in research, such as definition, analysis and diagnosis of the small-scale industry of each country; strategies for the sector and the treatment to be given it in general economic and industrial programmes;

/definition of

definition of the political instruments suitable for the special circumstances of each country; and elucidation of the operational aspects of each of the measures to be adopted. In this connexion the centre for the development of small-scale industry would be responsible for carrying out intensive and far-reaching economic research work and preparing special programming techniques for the sector, on the basis of the experience already gained in such matters in various countries of Latin America.

The development of small-scale industry also requires the training and education of personnel for the tasks of planning, preparing and executing policies. The centre should be able to make an effective contribution to the training of officials from executive bodies (Ministries of Industry or Development, development corporations and banks, productivity institutes, etc.) and planning bodies (central planning officers, regional and sectoral officers).

Secondly, it is necessary to provide technical assistance for small-scale industry at the plant level. As regards research it will be necessary to make studies for determining such aspects as its production relations and technique co-efficients. As regards personnel training, arrangements should be made for training experts capable of assisting small-scale industrialists in problems varying from engineering to business management.

To sum up, the centre would have to conduct economic and social research in the field of small-scale industry, prepare special programming techniques for the sector, form and train personnel capable of applying those techniques and carrying out research, and train personnel for assisting small-scale industrialists at the plant level, all of which would amount to a complex and far-reaching set of functions.

One proposal for the development of the centre is that it should begin by working on the most general aspects of the question, that is, on economic research, the preparation of programming techniques and the

/training of

training of higher or intermediate-level personnel for the planning and executive bodies in the field of small-scale industry. Work connected with the more particular aspects, such as research into problems at the plant level and training at personnel to give technical assistance to small-scale industrialists, which would require greater resources and expenditure of energy, might then be left to the second stage.

It would be useful if, in the economic research work, the centre also took into consideration the possible effects on small-scale industry of Latin American integration. In this connexion it should pay special attention to the stimulus that small-scale industry would derive from a unified market, at the same time taking into account the effects of the creation and development of industrial units operating on a large scale, and determining the measures for improvement and modernization which should be applied in small-sized units to make them capable of playing a dynamic part in general development.

Geographical range of action. The second important aspect to be considered is creating a centre for the development of small-scale industry is its geographical range of action in the light of the different kinds of situations existing in the Latin American countries.

The more ambitious aims in this respect bring with them a number of problems. The further the centre's geographical range of action is extended the greater and more complicated becomes the problem of directing its work. The ideal would be for it to take in Latin America as a whole, but if this proves to be impracticable, as appears to be highly likely in the present state of affairs, one alternative worth considering would be for it to cover several countries whose requirements and characteristics as regards small-scale industry are much of a kind, without of course excluding the possibility of later extensions of its initial range of action.

In any case, whatever geographical range of action the centre is given, it should be remembered that it will be expected to give special attention to the small-scale industry of the country in which it is established and to work in close contact with special national centres created for functions of the same kind as its own and with the productivity centres that are pursuing a vigorous course of action in the field of small-scale industry.

/Institutional characteristics.

Institutional characteristics. Lastly, as regards the institutional nature of the centre, a large number of possibilities could be explored in principle. But once its objectives have been defined and its geographical range of action determined, it will be possible to single out the alternative that seems most likely to be rapidly and fully carried out and best able to make proper use of the special knowledge and abilities of the different organizations and countries that will probably take part in the new project.

ECLA, which has been engaged in formulating ideas in the field of general development and industrial development and which is concerned, at a practical level, with problems of development and technological research, could take part in the general formulation of the project and of the research and personnel training programmes to be carried out by the centre.

The countries taking part in the foundation of the centre, especially that in which it is to be established, would be expected to make the largest possible contributions of personnel and material resources. These resources would be supplemented by contributions of funds or trained personnel from the international organizations. The Special Fund of the United Nations has, since its inception given continuous and unfailing support in the field of economic development in Latin America. In addition, the Inter-American Development Bank (IDB) has recently set up a pre-investment fund for Latin American integration which is intended to be of use in promoting programme studies and the preparation of new projects. Its first work programme, unofficially presented and discussed at the recent Meeting for Co-ordination of Studies on Integration, held in Buenos Aires (5-7 October 1966) and attended by experts from IDB, ECLA, ALALC, SIECA, OAS and ICAP, envisages for the field of small-scale industry regional operations to strengthen small- and medium-scale industry in the countries of Central America and in the relatively less developed countries with inadequate markets, particularly in matters relating to technology, personnel training and the organization of joint services.

/Specific and

Specific and direct support for the creation and operation of the centre could perhaps be obtained on the basis of agreements with such countries as the Netherlands, France, Switzerland and the United States which have already in the last few years been providing technical assistance for small-scale industry through bilateral agreements.

Lastly, various international organizations such as ECLA, the Latin American Institute for Economic and Social Planning, the United Nations Centre for Industrial Development, the International Labour Organisation and the Organization of American States have made great headway with personnel training activities. Each of these could make a valuable contribution towards a centre of the kind envisaged.

The proposals outlined above are simply intended to serve as a starting-point for discussion during the seminar of the possibility of creating a centre for the development of small-scale industry in Latin America.

C. PROVISIONAL LIST OF DOCUMENTS 13/

Symbol	Title	Submitted by
ST/ECLA/Conf.25/L.1	Provisional annotated agenda and provisonal list of documents	ECLA
I. The contribution of small-scale industry to the development of Latin America		
ST/ECLA/Conf.25/L.17	La pequeña industria en América Latina (Spanish)	ECLA
ST/ECLA/Conf.25/L.2	The definition of small-scale industry (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.10	The role of small-scale industry in over-all industrial development strategy (English and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.8	Over-all development programmes for small-scale industry in Latin America. General criteria, institutions, measures and priorities (English and Spanish)	Bernhard Stein, BTAO expert
ST/ECLA/Conf.25/L.18	Development possibilities for small-scale industry in specific fields of industrial activity (English and Spanish)	A. Nielson, BTAO expert
—	Estudo das pequenas industrias de São Paulo (Spanish and Portuguese)	Marcos Telles Almeida Santis, ECLA consultant
ST/ECLA/Conf.25/L.11	La pequeña industria en Uruguay (Spanish)	CIDE/CONCORDE/CPU
ST/ECLA/Conf.25/L.13	La pequeña industria en Costa Rica (Spanish)	Ministry of Industry and Trade
ST/ECLA/Conf.25/L.14	La pequeña industria en Venezuela (Spanish)	CORDIPLAN
ST/ECLA/Conf.25/L.15	La pequeña industria en Ecuador (Spanish)	Government of Ecuador
ST/ECLA/Conf.25/L.16	La pequeña industria en Paraguay (Spanish)	Ministry of Industry and Trade

13/ This list contains all the documents received up to 31 October, and a number of others which have not yet arrived. The final list of documents will appear in the report of the Seminar.

Symbol	Title	Submitted by
ST/ECLA/Conf.25/L.19	La pequeña industria en México (Spanish)	Nacional Financiera S.A.
ST/ECLA/Conf.25/L.20	La pequeña industria en Chile (Spanish)	SCT/CORFO
ST/ECLA/Conf.25/L.22	La pequeña industria en Panamá (Spanish)	SENAPI
—	La pequeña industria en Brasil (Spanish)	BNDE
—	La pequeña industria en Bolivia (Spanish)	Ministry of Planning
—	La pequeña industria en Colombia (Spanish)	Planning Department
—	La pequeña industria en Peru (Spanish)	National Planning Institute

II. Technical services and assistance for the development of small-scale industry

ST/ECLA/Conf.25/L.3	Industrial extension services for small-scale industries (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.4	The role of industrial estates in policies and programmes for the development of small-scale industries (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.5	Types of industrial estates (English, French and Spanish)	P.C. Alexander, Consultant, United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.6	Stimulation of entrepreneurship and assistance to small industrialists at the pre-investment stage (English and Spanish)	United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.7	Pre-project planning for industrial estates (English and Spanish)	P. Quigley Consultant, United Nations Centre for Industrial Development

/ST/ECLA/Conf.25/L.9

Symbol	Title	Submitted by
ST/ECLA/Conf.25/L.9	Industrial estate plans and projects in Latin American industrial development (English and Spanish)	United Nations Centre for Industrial Development
ST/ECLA/Conf.25/L.12	Evolución de un programa de asistencia a la pequeña industria: el caso de Chile (Spanish)	SCT/CORFO

IV. Regional and international co-operation in the field of small-scale industry

ST/ECLA/Conf.25/L.21	A Latin American development centre for small-scale industry (English and Spanish)	Arend Eisenloeffel, International Technical Assistance Department, Ministry of Foreign Affairs of the Netherlands

REFERENCE DOCUMENTS SUBMITTED BY THE UNITED NATIONS CENTRE FOR INDUSTRIAL DEVELOPMENT

Industrial estates in Asia and the Far East (United Nations publication, Sales No.: 62.II.B.5) (English, French and Spanish)

The physical planning of industrial estates (United Nations publication, Sales No.: 62.II.B.4) (English, French and Spanish)

Problems of procedure, administration and relations that will have to be considered in establishing a United Nations organization for industrial development (A/AC.126/10) (English, French and Spanish)

Industrial estates in Africa (United Nations publication, Sales No.: 66.II.B.2) (English)

Industrial estates: plans and progress (CID/VI/14) (English)

Establishment of industrial estates in under-developed countries (United Nations publication, Sales No.:60.II.B.4) (English)

D. GENERAL INFORMATION FOR PARTICIPANTS

1. Place and date of session

The seminar will be held in the Centro Internacional de Estudios Superiores de Periodismo para América Latina (CIESPAL) at Quito, from 28 November to 5 December 1966. The inaugural meeting will be held there on Monday, 28 November, at 11 a.m.

2. Secretariat

The Economic Commission for Latin America, the Centre for Industrial Development and the Bureau of Technical Assistance Operations will provide the technical secretariat for the seminar.

United Nations Secretariat

Mr. Nuno Fidelino de Figueiredo, Director of the ECLA/INSTITUTE/IDB Joint Integration Programme for Industrial Development: Director of the seminar.

Mr. Igor Krostovsky, Head of the Small-Scale Industry Department of the United Nations Centre for Industrial Development: Technical Secretary of the seminar.

Mr. Max Nolff, Head of the Industrial Economics Unit of ECLA: Technical Secretary of the seminar.

Mr. Gonzalo García, staff member of the Industrial Economics Unit of ECLA.

Miss Juana Eyzaguirre, ECLA: Conference Officer of the seminar.

Liaison Officer for the seminar on behalf of the Government of Ecuador

Mr. Gustavo Chambers, staff member of the Artisan and Small-Scale Industry Unit of the National Planning Board.

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All communications concerning attendance of participants, dates of arrival or any other matter connected with the session should be sent to Mr. Nuno Fidelino de Figueiredo at the following address:

Postal: Casilla 179-D, Santiago, Chile

Cable: UNATIONS, Santiago

/During the

During the course of the seminar, questions relating to the schedule of meetings, documentation and all administrative matters should be addressed to the ECLA Conference Officer, Miss Juana Eyzaguirre.

3. Registration of participants

It is requested that participants and observers enter their names in the register which will be at their disposal at the headquarters of the seminar between 9 a.m. and 11 a.m. on Monday, 28 November. On registering, each participant will receive an identification card without which he will not be allowed to enter the conference rooms. He should indicate on his registration form the working group of his choice.

Punctual registrations on the part of participants will enable an attendance list to be prepared in good time, and will help to speed up the delivery of documents, messages, correspondence and invitations.

4. Documentation

The Conference Officer will be responsible for the distribution of documents. It is strongly recommended that, as far as possible, participants bring with them any documents received before the seminar, as supplies of those will be limited.

5. Timetable of work

It is proposed that the Seminar work to the following timetable: from 9.30 a.m. to 12.30 p.m. and from 3.30 p.m. to 6.30 p.m., with Saturday afternoon and Sunday free. From Thursday, 1 December onwards, the two working groups will meet simultaneously: Group A: Technical services and assistance for the development of small-scale industry, and Group B: Financing for the development of small-scale industry.

6. Requirements for entry into the country

The laws of Ecuador require visitors to the country to have a valid international smallpox vaccination certificate.

/7. Reservations

7. Reservations

Participants desiring to make reservations in the hotels Quito, Embajador, or Colón, should fill in the form which will be sent to them and return it by airmail to Mr. Gustavo Chambers, Liaison Officer for the seminar, Junta Nacional de Planificación, Quito, Ecuador.

Annex

OUTLINE FOR PREPARATION OF NATIONAL REPORTS

The following outline of the chief points to be included in the national reports on small-scale industry is intended to provide a guide for the persons responsible for preparing them in each Latin American country, and thus ensure some degree of uniformity in their presentation. As the field of small-scale industry covers a wide variety of situations and problems, each of which requires special treatment, the present outline should not be taken as providing more than a suggestion of the design to be adopted. Each national report should adapt itself to the particular conditions of the country, and reveal in the greatest detail possible the action being taken in respect of credit facilities, technical assistance, personnel training at different levels, development of co-operatives, sub-contracting arrangements, etc.

The detailed description and analysis of the measures being taken in the field of small-scale industry will have the effect of making the experience of the different Latin American countries more generally available, and will give the seminar a basis on which to discuss and lay down the main lines of a development strategy for a sector which is of the highest importance as a potential source of employment.

I. ECONOMIC IMPORTANCE OF SMALL-SCALE INDUSTRY

1. Description of recent trends in the development of small-scale industry

Summarize the information and statistics available on value added, production value, manpower employed, investment, location, etc. elucidating the main features of the development of the sector and its importance within manufacturing industry and the economy as a whole.

2. Chief branches of small-scale industry

Describe the present situation and problems of the chief branches of small-scale industry such as food, textiles, wearing apparel and footwear, furniture, metal-transforming, etc.

3. Plans and programmes for the development of small-scale industry

State whether there is a policy for modernizing and promoting small-scale industry, the form it takes and the organizations responsible for formulating it. Describe the role assigned to small-scale industry in the programmes and strategy for industrial development. Give a short account of the legislation on the development of small-scale industry.

Note:

For greater clarity, some definition should be given of the concept or concepts embodied in the generic term "small-scale industry", in relation both to its development and to development programmes and incentives established for it (indicators: employment by enterprise, capital, value, sales, etc.) Whenever possible, the United Nations International Standard Industrial Classification of all Economic Activities (ST/STAT/Ser.M/4/Rev.1) should be used in defining the major industrial groups in small-scale industry.

/II. TECHNICAL

II. TECHNICAL SERVICES AND ASSISTANCE FOR THE DEVELOPMENT OF SMALL-SCALE INDUSTRY

1. Technical assistance and advisory services

Describe the different forms of technical assistance given at the plant level and at that of the various branches of industry, distinguishing between assistance for the purpose of technical improvements, organization, or administration, etc.; describe similarly the agencies responsible for providing assistance.

2. Special training programmes for personnel at all levels and other services in aid of small-scale industry

Describe the current systems of training for the different levels of personnel in small-scale industry and existing industrial training centres. It would be useful if data were supplied on the number of persons trained in each separate course during the years for which information is available. Mention also any other existing services in aid of small-scale industry, especially those concerned with raw material supplies and the marketing of its products.

3. Industrial estates

State whether small-scale industries already exist in the form of industrial estates, and outline future programmes for their establishment, specifying the methods of organization, administration and financing to be used for them.

4. Forms of co-operation and self-help

This item should cover all co-operative systems operating in the field of small-scale industry (consumer, credit, production co-operatives, etc.), together with other forms of co-operation and self-help (organizations of small-scale industrialists, business associations, etc.).

/III. FINANCING

III. FINANCING FOR THE DEVELOPMENT OF SMALL-SCALE INDUSTRY

1. Alternative policies and their corresponding systems

Describe financial assistance programmes for small-scale industry, mentioning the institutions responsible for them, the amount of natural resources available for that purpose, the criteria used in allocating these resources, the sums assigned to the different branches of industry and regions of the country, the conditions under which they are granted to small-scale industrialists (period of credit, interest rates, types of security required, etc.), the co-ordination of such programmes with programmes of other kinds (e.g. technical assistance), and so forth.

2. Sources of funds: internal and external

Provide information on the internal sources of funds of small-scale enterprises (depreciation reserves and re-invested profits), including estimates of the sufficiency of the depreciation reserves and an indication of prevailing trends as regards the use of profits (percentage re-invested and percentage distributed). Mention any legal provisions which might affect these sources of funds.

Provide the corresponding information on the external sources of funds of small-scale enterprises (capital contributions, credit, etc.), showing the extent to which they make use of organized stock markets and how far they have access to credit from public and private banks. If possible, give the proportion of the external sources in the total and its distribution in terms of capital, bank credits, suppliers' credits and miscellaneous sources to that.

IV. INTERNATIONAL CO-OPERATION IN THE FIELD OF SMALL-SCALE INDUSTRY

1. Financial assistance

A list should be given of present external financial assistance programmes, whether carried out directly or through a national agency. In this connexion all possible points of information should be given, namely: organization, our country granting assistance, the amount of

/the aid

the aid conditions to be fulfilled by the national industries receiving it, credit terms (duration, interest rates, etc.). The list of programmes should be divided, according to the sources, into multilateral (United Nations, OAS/IDB programmes, etc.) and bilateral (by countries). Mention also whether small-scale industries are granted credit by foreign suppliers of machinery and equipment, and, if so, the sums and conditions involved.

2. Technical assistance

List the programmes of technical assistance currently provided by foreign countries, giving all possible points of information, namely: country granting assistance, national organization or enterprises benefiting from it (separately or by branches of industry), the amount (if possible, broken down into the usual divisions of experts, fellowship grants, equipment, trained personnel, etc.), national contribution to the programme, field of coverage (assistance to particular branches of industry, groups of enterprises, regions, or organizations, etc.) and duration of the programme, supplemented, if possible, by comments on the facts given. If there is any form of co-operation with any other Latin American country, describe the way in which it takes place.

Note on method of presentation

Although no absolute limit is set to the length of national reports, it is considered that about 50 typed pages (1 1/2 spacing), not counting appendices, should be sufficient for the purposes of the seminar.

The decimal metric system of measurement should be adopted unless use of other units is absolutely necessary in which case it is requested that their metric equivalents be given in brackets. To facilitate comparison, it would be helpful if values were given whenever possible in United States dollars, and in all cases, the rate of exchange of the year or years under consideration were stated.

The final date set for acceptance of national reports was 8 September 1966 to give time for their reproduction in documentary form.